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September 21, 2005

VIA HAND DELIVERY

Chairman Pat Miller
c/o Sharla Dillon, Dockets Manager
Tennessee Regulatory Authority
460 James Robertson Parkway
Nashville, Tennessee 37243-00505

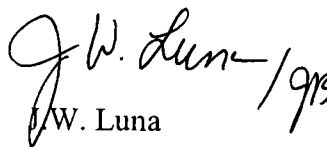
Re: *Generic Docket for the Purpose of Examining TRA Rules, Policies and Procedures in Light of Current Trends in Gas Industries, Docket No 05-00046*

Dear Chairman Miller:

Enclosed please find the original and thirteen (13) copies of Chattanooga Gas Company's ("CGC") comments in response to the Notice of Meeting Addressing Consumer and Safety Issues dated August 30, 2005, for filing in the above-referenced docket. As noted in the comments, CGC also gives notice that it will make an oral presentation at the October 5, 2005 meeting.

Please do not hesitate to contact me or Jennifer Brundige at 254-9146 if you have any questions.

Sincerely,


J.W. Luna

Enclosures

cc: Elizabeth Wade, Esq.
Archie Hickerson
Steve Lindsey
Craig Dowdy, Esq.

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Comments of Chattanooga Gas Company
Docket No. 05-00046
September 21, 2005

On August 30, 2005, the Tennessee Regulatory Authority ("TRA") issued a Notice of Meeting Concerning Consumer and Safety Issues, Docket No. 05-00046, Generic Docket For the Purpose of Examining TRA Rules, Policies and Procedures in Light of Current Trends in Gas Industry. In the notice, the TRA requested that interested parties file comments on the following topics. (1) service quality standards, (2) safety, (3) low income assistance programs, (4) research and development, and (5) conservation and educational efforts. In addition, the notice requested that parties provide notice of intent to provide an oral presentation at the meeting. This document serves as Chattanooga Gas Company's ("CGC" or the "Company") written comments, as well as its notice to provide an oral presentation at the meeting on October 5, 2005.

As CGC has previously expressed, it commends the TRA for recognizing that the changes in the natural gas industry not only require utilities to examine and modify their operating procedures, but also create a need for the regulatory process to be reviewed. Since the TRA has asked only for comments on the need for review and modification and has not yet established the forum for such a review, CGC will not, at this time, provide its recommendations as to specific rule revisions. Instead, CGC will restrict its comments to only general recommendations of procedures and rules that require review and will reserve detailed proposals to be provided in the appropriate forum as determined by the TRA. CGC recommends that the TRA establish informal workshops in this proceeding to further review and refine the recommendations. In addition, the formation of committees consisting of both regulatory and utility personnel to more fully develop proposals resulting from the workshops would be useful prior to consideration by the TRA.

(1) Service Quality Standards

CGC does not believe that there is evidence that service quality standards ("SQSs") are warranted. However, if the TRA chooses to consider SQSs, then it should consider all costs and the administrative burden along with any perceived benefits in determining whether such standards are warranted in Tennessee. In addition, to the extent the SQSs would result in increased costs to the utility, such costs should be recognized in the utility's revenue requirement and rates prior to enforcement of the new standards.

(2) Safety

As the TRA is aware, the Company in its most recent rate proceeding before the TRA, Docket 04-00034, requested a separate Pipeline Replacement Program (PRP) tracker. This tracker was proposed as a mechanism to allow CGC to replace all of the remaining bare steel and cast iron gas facilities in its service territory over a ten year

period at a total estimated cost of over \$37 million without the need for rate filings every one or two years for the next ten years. As the TRA is well aware, pipeline replacement is a very capital intensive process which is non-revenue producing and rate proceedings are very costly and time consuming as well. Because of these dynamics, the Company proposed a tracker mechanism to efficiently allow the replacement of its remaining bare steel and cast iron pipes over a ten year period without the need for numerous rate cases.

The Company believes that this docket is the appropriate venue to reconsider such an initiative. The use of these trackers will allow steady and efficient replacement of bare steel and cast iron pipes in Tennessee which will enhance safety and at the same time provide for the efficient use of TRA and OAG resources by removing the need for frequent rate case proceedings.

(3) Low Income Assistance

It has long been recognized that it is in the public interest to provide assistance to the poor and the elderly to ensure that they receive their basic needs. Examples of such programs in Tennessee are the telephone "Link-Up" and "Lifeline" programs. Funded through both inter and intra-state telephone rates, these programs provide assistance to over 40,000 customers in Tennessee who qualify for Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF), Food Stamps, Medicaid, or whose household income is equal to or less than 125% of the federal poverty level. The "Link-Up" program provides a 50% credit up to \$30.00 to offset telephone installation charges, while the "Lifeline" program provides credit of up to \$13.50 per month on the customer's bill for local telephone service (Attachment A).

Another example of such a program is Atlanta Gas Light Company's (AGLC's) Social Responsibility Rider adopted by the Georgia Public Service Commission. This program is targeted at low income seniors and provides a credit up to \$14.00 per month (the lower of the total company charges or \$14.00) on the natural gas bills for customers over age 65 whose annual income is \$12,000 or less. The majority of this credit (\$10.50) is funded through a specific surcharge billed to the remaining residential customers with the remaining \$3.50 being included in AGLC's base rates. As of August 2005, over 33,000 AGLC customers were receiving the credit under this tariff provision.

In the most recent CGC rate case, Docket 04-00034, the Company filed the Chattanooga Assisted Rate For Energy Services ("CARES") Tracker (Attachment B) that would have provided a credit of \$7.50 per month on the natural gas bills of CGC customers who are 65 or older and who qualify for TANF, previously known as AFDC, SSI, Food Stamps, Medicaid, as provided under TennCare, or whose annual income was not greater than 125% of the federal poverty income guidelines. The qualifications included in the tariff provision were modeled after the criteria established by the TRA for the "Link-Up" and "Lifeline" programs as presented on the TRA webpage. There was one exception - to qualify for CARES the participant must also be age 65 or older.

Under the CGC proposal, the credit would have been funded through a rider similar to the PGA/ACA provided under the TRA's rules. This funding mechanism insures that the amount actually credited to qualifying customers would be collected and that amount actually collected and used for such purpose would be specifically identified.

CGC respectfully requests the TRA to consider adopting the CARES or similar program to provide assistance to those Tennessee citizens whose incomes make it difficult for them to obtain their very basic needs.

(4) Research and Development

As the TRA is aware, Gas Technology Institute ("GTI") intervened in CGC's rate case and requested that a surcharge of \$1.74 per dekatherm be collected from CGC's customers for research and development. This charge was intended to replace a FERC ordered surcharge that was originally imposed in 1977, but was ordered to be phased out by 2004. According to GTI, the FERC decided to leave it to the states to determine whether the surcharge should be continued. The matter was severed from the rate case so that it could be considered in an industry wide proceeding.

CGC believes that GTI's research provides benefits to its customers and does not oppose the surcharge. However, should the TRA decide to implement a surcharge, it should not exceed the previous maximum FERC ordered surcharge.

(5) Conservation and Educational Efforts

The Company of course does not oppose energy conservation; however, as the TRA is aware, our current rate structure uses volumetric rates to recover the largely fixed costs of operating its distribution system. This means that conservation efforts make it more difficult for the Company to recover its cost. Any conservation efforts required by the TRA should take this into account and ensure that the Company is fully compensated for these lost revenues.

Regarding education, the Company believes that keeping its customers informed is very important and seeks opportunities to do so. The Company supports customer education through: (1) providing its field employees and call center representatives with information regarding energy assistance programs and changing natural gas market conditions; (2) providing information about energy assistance and weatherization as well as changing natural gas market conditions as part of its website; and (3) providing regular direct communication with customers through bill inserts and newsletters on a variety of consumer oriented issues. To the degree that the TRA wishes to require certain forms of outreach above and beyond the Company's current educational efforts, the cost of these activities should be recognized in the Company's revenue requirement and rates prior to such requirements becoming effective.

TRA Telephone Assistance Programs

7/26/05

FCC and NARUC Launch "Lifeline Across America" To Raise Awareness of Lifeline and Link-Up Programs (pdf, 78kb)

Federal Communications Commission Lifeline Web Site (external link)

To ensure that telephone service is available and affordable for low income telephone subscribers, the TRA established Link-up and Lifeline Telephone Assistance Programs

- **Link-up** will pay half of the installation charges for new telephone service, to a maximum of \$30 00 To further reduce the initial cost to establish new telephone service, request to your local telephone company that the balance of the installation charge be divided over a period of months. You will not be required to pay a deposit when connecting service under Link-up.
- **Lifeline** will save telephone subscribers up to \$13 50 per month on the local service portion of the telephone bill. And, by selecting the lowest cost residential service plan offered by the local telephone company, ensures an affordable monthly telephone bill This program will not assist on long distance charges or special features such as Caller ID or Call Waiting.

Who is eligible for Link-up and Lifeline?

The qualifications for Link-up and Lifeline are the same You automatically qualify if you

- Presently receive Supplemental Security Income (SSI), Temporary Assistance for Needy Families (TANF) previously known as AFDC, Food Stamps, Medicaid (not TennCare), or you may qualify if your total household gross monthly income is equal or less than the following:

Gross Monthly Income Table

<u># of Household Members</u>	<u>*Monthly Income</u> <u>125% of the Federal Poverty Level</u>
1	\$ 998
2	1,336
3	1,676
4	2,016

For each additional person, add	340
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* BASED ON THE 2005 FEDERAL REGISTER FOR POVERTY LEVEL INCOME STANDARDS (PLIS).

How do you apply?

- Call your local telephone company if you receive SSI, TANF, Food Stamps or Medicaid. You automatically qualify. Your telephone company will request proof of which benefit you receive.

OR

- Call the TRA at 1-800-342-8359, extension 157, if you qualify using the gross monthly income table.

The TRA encourages qualifying residents to apply for the Link-up and Lifeline Telephone Assistance Programs and urges eligible Tennessee consumers to take advantage of the available discounts.

Click to download the [Link-up and Lifeline application](#). The application is an Adobe PDF document. The Adobe PDF reader is available for free at [Adobe's website](#). Print the application, fill it out, and mail it to the following address. For more information concerning the TRA's Telephone Assistance Programs, please contact the TRA at

<p>Tennessee Regulatory Authority</p> <p>Consumer Services Division</p> <p>460 James Robertson Parkway</p> <p>Nashville, TN 37243-0505</p> <p>1-800-342-8359 (voice)</p> <p>615-741-8953 (fax)</p>
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CHATTANOOGA ASSISTED RATE FOR ENERGY SERVICE (CARES) TRACKER

The Chattanooga Assisted Rate for Energy Service (CARES) program is designed to increase the availability of natural gas service to elderly low income Customers by providing a monthly credit to qualifying Residential Customers who are of age 65 years or over

APPLICABILITY

The rates for gas service set forth in all of the Rate Schedules of the Company shall be adjusted pursuant to the terms of the CARES Tracker

ELIGIBILITY

To be eligible for a CARES credit, a Customer must be 65 years of age or older and a current recipient of any one of the following low income assistance programs

- a Temporary Assistance to Needy Families (TANF), previously known as AFDC
- b Supplemental Security Income (SSI)
- c Food Stamps
- d Medicaid, as provided under TennCare

Additionally, a Customer 65 years of age or older with total gross annual income that does not exceed 125% of the federal poverty income guidelines may apply directly to the Tennessee Regulatory Authority (TRA) for eligibility certification

All applications for service are subject to verification with the TRA or the state agency responsible for administration of the qualifying program

CERTIFICATION

1 Proof of eligibility in any of the qualifying low income assistance programs should be provided to the Company at the time of application for service. The CARES credit will not be established until proof of eligibility has been received by the Company. If the Customer requests service prior to the Company's receipt of proof of eligibility, the requested service will be provided without the CARES credit. When eligibility documentation is provided subsequent to initiation of service, the CARES credit will be provided on a going forward basis beginning the first month after receipt of documentation.

2 The Company reserves the right to periodically audit its records, working in conjunction with the appropriate state agencies, for the purpose of determining continuing eligibility. Information obtained during such audit will be treated as confidential information to the extent required under State and Federal laws. The use or disclosure of information concerning enrollees will be limited to purposes directly connected with the administration of the CARES plan.

3 When a Customer is determined to be ineligible as a result of an audit, the Company will contact the Customer. If the Customer cannot provide eligibility documentation, the CARES credit will be discontinued.

Chattanooga Assisted Rate for Energy (CARE) Rider (Continued)

CHATTANOOGA ASSISTED RATE FOR ENERGY SERVICE (CARES) TRACKER (Continued)

CARES CREDIT

Upon approval of the application of a Customer, the Company shall provide a CARES Credit in the amount of \$7.50 per month

CARES FACTOR

The CARES Factor shall be computed annually by dividing the total CARES credits provided to eligible Customers for the twelve months ended June 30 ± any imbalance from the previous program year by the total commodity distributed to all classes of Customers during the twelve months ended June 30. The total credit will equal the sum of the credits issued each month from July 1 of the previous year through June 30 of the current year. The previous year's imbalance, positive or negative, will equal the total amount to be recovered included in the previous year's filing less the amount recovered through the application of the CARES Factor during the twelve months ended June 30.

$$\begin{aligned}\text{CARES Factor} &= \frac{\text{TCP} \pm \text{PYI}}{\text{TCD}} \\ \text{PYI} &= \text{PYA} - \text{TAR}\end{aligned}$$

PYI-Previous Year Imbalance is the amount remaining at June 30 of the current year from the previous year's filing or the amount recovered during the twelve months ended in excess of the previous year's filing.

PYA- Previous Year Amount is the amount used to compute the CARES Factor in the previous year's filing.

TAR-The Total Amount Recovered through the application of the CARES Factor during the twelve Months ended June 30 of the current year.

TCP is the Total Credits Provided to Customers during the twelve Months Ended June 30, of the current year.

TCD-The Total Commodity Distributed during the 12 Months ended June 30 of the Current year.

CARES Factor- The factor to be applied to each Rate Schedule.

FILING WITH THE AUTHORITY

Annually the Company will file with the Authority the CARES Factor to be applied to volumes distributed during the following twelve months. The filing shall identify for each month during the twelve months ended June 30, the number of Customers that received the credit, the amount of credits provided, the total commodity volume sold, and the total amount recovered.